

## Mortgage shake-up to tackle homes crisis

### News Story

---

Ministers plan to shake-up Britain's mortgage market as part of a three-pronged approach to tackle the crisis in affordable housing that is posing a threat to the economy and triggering a political backlash, the chancellor, Alistair Darling, said last night.

Mr Darling said Labour would issue proposals shortly to boost the supply of long-term fixed-rate home loans for periods of up to 25 years, amid concern that lenders are only offering shorter-term mortgages so they can repeatedly charge high arrangement fees.

Housing, the chancellor told the Guardian in an interview, had become a much more important political issue in the past five years. "It is a huge issue and it is not just being raised by people setting up homes themselves. Parents and grand-parents are saying, 'What's going to happen to my children? How are they going to get a house?'"

Mr Darling said that in addition to more long-term fixed rate mortgages, the government would simplify the planning system and add to the supply of housing, to ensure everyone had a decent home. He said he was prepared to face down the environmental lobby on an issue that Gordon Brown has made a priority.

"Planning is a sensitive issue. I will yield to no one in my determination to protect our heritage, but if we don't increase the supply of houses the problem will get worse and worse and worse." The chancellor said he was keen to minimise the environmental impact of house-building, but "the idea that we should stop building houses is one I don't accept. It's something we have got to deal with and I'm determined to take action."

Property prices in Britain have more than trebled since 1997, despite Mr Brown's promise a decade ago to end the "boom-bust" cycle in house prices that has plagued the economy for decades. Interest rates have been raised five times in less than a year and are now at a six-year high, putting the average mortgage payment at a record level relative to incomes.

Mr Darling said: "There simply aren't enough houses. We are not keeping pace with the number of people setting up homes. In terms of mortgages, there has been a big expansion in fixed rate mortgages over the last two or three years, but they have all been short term, for a period of two or three years. When you look around the rest of Europe, it is more common to have longer-term fixed rates. We need to look at that. We need to reduce the volatility."

Three years ago, the Treasury commissioned a review from the leading UK economist, David Miles, into Britain's lack of long-term fixed-rate mortgage products. Mr Darling said there had been some changes as a result, but he was concerned that there were in-built incentives for mortgage brokers to advise those looking for home loans to take short-term products. With some mortgage providers charging arrangement fees of sometimes thousands of pounds, the chancellor said: "Brokers want you to come back every two years, rather than every 10 or 20. The Financial Services Authority has identified this as a problem."

He said he was not just concerned about the individuals affected by the lack of affordable housing, but about the risk to economic stability. "It's been a problem for the south-east of England, but it is now a problem for the whole country," he said. Last year 160,000 houses were built in Britain, well short of the 223,000 the government estimates are needed each year.